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REPORT

TO

THE HOLDERS

OF

FIRST MORTGAGE BONDS

OF THE

VERMONT CENTRAL RAILROAD,

AT THEIR MEETING,

TUESDAY, APRIL 7, 1863.

BOSTON:
WRIGHT & POTTER, PRINTERS, 4 SPRING LANE.
1863.

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REPORT

OF THE

BONDHOLDERS

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FIRST MORTGAGE BONDS

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AT THEIR ANNUAL MEETING

TUESDAY, APRIL 7, 1868.

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D. N.
(37098)
Jan. 14, 1892

REPORT.

To the Holders of the First Mortgage Bonds of the Vermont Central Railroad Company.

GENTLEMEN,—Since your last meeting, important changes have taken place in the position, condition and prospects of the property which your mortgage covers, and these your Committee beg leave, briefly and respectfully, to report:

First, as to the Suit of the Vermont and Canada Railroad Company against the Vermont Central Railroad Company Trustees and others, and the Decision of the Supreme Court of Vermont therein.

This cause was heard and decided in the year 1861, and the following points were determined and settled by the court:—

1. That the lease of August 24, 1849, was a valid and binding contract, on the Vermont Central Company.

2. That the indenture of July 9, 1850, whereby security on the Central Road was undertaken to be given to the Vermont and Canada Company, for any rent which might become due and in arrears, was valid and operative, as a pledge of all tolls and income of the Central Road, but aside from this indenture of security, there was no priority of the lease over the first and second mortgages. And hence, the incidental expenses of the Canada Company, though provided for in the lease, yet not being so provided for in the indenture of security, are not binding on the bond-holders subsequently secured.

3. That the first and second mortgages have supplanted the Vermont Central Company, so far as to make void any subsequent agreement of the Central Company, affecting injuriously the first and second mortgage bond-holders.

4. That the Vermont and Canada Company cannot add to its capital, as additional cost of construction, the sum of $32,672.15, claimed by the directors of that company.

5. That the conclusion of the court upon the whole case is, "that the sum on which, as cost of construction, the eight per cent. is to be computed, as the measure of the rent to which the Vermont and Canada Company are entitled, is $1,348,500, and that for that rent alone was security provided, in and by the indenture of security of July 9, 1850, and only in respect to that are they entitled to a decree."

This cause, though decided, is still on the docket in court, and must remain there until the arrears of rent are paid up, or otherwise settled; and also until the bill, supplemental to said cause, brought by the Vermont and Canada Company, to be allowed for the cost of the branch into Burlington, shall be decided, or otherwise settled. This supplemental bill was filed last September, and your Committee are defending the same, as they believe, on good and strong grounds, some of which are as follows:—

1. That the lease, with reference to the construction of the branch into Burlington, was merely executory, and created no lien on the Central Road, as against subsequent incumbrances.

2. That the Vermont and Canada Company did not comply with the covenants of the lease, to build said branch within the time required by their charter, and in consequence thereof, had to submit to a modification of that instrument, and to burdens and restrictions imposed by the legislatures of 1858 and 1859, thus changing the terms of the lease, and impairing the value of the demised premises.

3. That the branch is not built, on the location contemplated by the parties to the lease, but on such location as destroys and makes useless a portion of the Central Road, equal in distance to the branch, and running parallel therewith.

4. That the court have already decided, that the indenture supplemental to the lease, provides for the payment of rent, only on the fixed capital of $1,348,500, and on no other sum.

5. That the legislation of 1858 and 1859, by which the Vermont and Canada Company claim that their charter was saved from forfeiture, is, as to the holders of bonds secured by mortgage on the Central Road, unconstitutional and void.

The question of the constitutionality of the Acts of 1858 and 1859, if decided in the State court against the bond-holders, can be carried up, by writ of error, to the Supreme Court of the United States.

That the defence set up, in your behalf, to this suit, is one entitled to great consideration, your Committee would refer to and quote from, a written opinion, of which they have a copy, signed by Judge B. R. Curtis and Sidney Bartlett, Esq., of this city, December, 1858, and given to the President of the Vermont and Canada Company.

The question before them was, as to the effect of the legislative Act of 1858, on the charter and lease of the Vermont and Canada Company. They say:—

"We think, the third section of the new Act, does impose a new burden, not provided for by the lease."

And they conclude by saying:—

"Upon the whole matter, though it is a close question, we incline to the opinion, that the Vermont Central Company will be entitled to compensation."

It must be borne in mind, that the legislation of the subsequent year, 1859, found the Canada Company in a worse position than in the previous year, and changed the relations of that company to the lease and the covenants therein, still more. The distinguished counsel, who gave such an unsatisfactory opinion in 1858, on the Act of that year, to the Vermont and Canada Company, must have given one still less so, if consulted on the Act of 1859, with reference to the operation of the lease.

Suit in the Circuit Court of the United States.

This was commenced by certain bond-holders, in behalf of themselves and all other bond-holders, for the removal of your trustees, and to compel them to render an account as trustees, in that court. The trustees have resisted the jurisdiction of the court, and interposed delays, at every stage of the pleadings; but, in every instance, they have been overruled by the court. It only remains to take testimony in the case, to have the same

ready for a final hearing before Judge Nelson, at the next term of the court, at Windsor, in July next. Your Committee have reason to believe that the trustees own few or none of the first mortgage bonds; that they are largely interested in, and are substantially managers of the Vermont and Canada Company, which hitherto has been antagonistic to your bonds. They are also receivers, and of course as trustees they approve of all the expenditures of themselves as receivers, and as trustees never object to their own accounts as receivers, when audited by masters. The making trustees receivers, in point of fact, merges trustees in receivers, and whilst this is the case, you have, practically, no trustees to represent you, except to do you hurt. Every lawyer, familiar with equity jurisprudence, knows that it is a well-settled doctrine in the books, that a trustee ought not to be a receiver, for the simple reason, that the two offices, in the same person, are incompatible. It will only require, your Committee believe, for the cause to be heard, to secure a divorce of the unlawful union of the two offices, in the present case, and thereby the removal of your present trustees, as unfit and improper persons to represent and take care of your interests. Their removal, as trustees, will not take your property out of their hands, as receivers, but it will enable you to have trustees, who will have power to prevent waste and improper expenditure, and make the receivers feel their accountability.

Proceedings in Supreme Court of Vermont against the Receivers.

A petition for an injunction against the receivers was commenced, by J. M. Pinkerton and a few other bond-holders, in August last, to stop the receivers from expending money from the trust, at St. Albans, where two of the receivers live. Long prior to this time, your Committee, learning that this expenditure was contemplated, warned the receivers not to make the same, as being unnecessary, and without authority from the court; but they answered evasively, and finally refused to answer at all.

The improvements, at St. Albans, consist in the purchase of real estate, filling up the same, laying new side-tracks, building a large new brick engine-house, machine-shop, and other

structures, and, in fact, duplicating, generally, the works now established at Northfield.

Northfield is comparatively, centrally, situated on the line, and the works there, have always been supposed to be ample and sufficient, for the accommodation of the roads. Your Committee have taken the testimony of the ablest railroad men, such as Reuben Sherburne, a former Superintendent of the Vermont Central Railroad, John W. Brooks, President of the Michigan Central Railroad, S. M. Felton, President of the Philadelphia, Wilmington & Baltimore Railroad, W. E. Morris, President of the Long Island Railroad, and Edward Appleton, engineer, who agree in the opinion, so far as each is acquainted with the roads, that Northfield is a more suitable place for the repair shops and head-quarters of the line, than St. Albans, and that, there being sufficient accommodations of this sort at the former place, there is no need of establishing others of the like kind, at the latter place. Besides, the changing of the repair shops, and the running of the roads from Northfield to St. Albans, so near the northern terminus of the line, compels an expenditure at White River Junction, near the southern terminus, because of its great distance from the point of working the roads. If an engine gives out at the latter place, it is a great inconvenience and loss, to be obliged to haul it back one hundred and thirty miles to St. Albans, whereas, an accident of this or any other kind, at either end of the roads, can more easily be attended to at Northfield, from its central location.

Your Committee believe that the receivers are personally liable for all the money they have expended at St. Albans, which now must amount to between $50,000 and $100,000, as they have done it, not only without an order of court, but contrary thereto, the order of court requiring them, after defraying the expenses of running and operating the roads, to pay over the surplus to the Vermont and Canada Company, towards satisfying their arrears; which had they done, the balance of indebtedness, would now be small. It should be added, that the change which has been made, in operating the roads from St. Albans, instead of from Northfield, makes a heavy strain both on the men and the machinery, on account of the greater daily distance run, before the men can stop to rest, or

the machinery to be examined. Your Committee understand, that the men make much complaint on this subject.

Receivers' Accounts.

The receivers are ordered by court to file, every six months,—the 1st of June and 1st of December of every year,—an account of the gross earnings and expenses of the roads, and the amount paid by them to the Vermont and Canada Company, on account of accruing rent and arrears.

Once in about two years, masters, so called, sit, who audit these accounts of the receivers, and report to the court, whether the same should be allowed, and what balance of money and assets there are, in the hands of the receivers. It is the duty of the masters to throw out of the accounts, all items of expenditure illegally and wrongfully made by the receivers, and report the same to the court. Of course, it is of the utmost importance, to have able and impartial masters, not in the interests of the receivers, who will carefully examine and scrutinize their accounts. The masters expect, that the parties in interest will be before them, and object to any item in the account, they may see fit. Just here, the bond-holders will see, how important it is to have trustees, who will be present, and attend to this duty, in their behalf. Now, instead of having trustees to stand, on the side of the table opposite the receivers, to object to any improper expenditure, they all stand on the same side, in the persons of the receivers, and approve, and argue for the allowance of every item in their account. It is true, your Committee might be present and object at these hearings, but at all previous hearings hitherto, no notice of them has been given, to your Committee.

The masters have made three reports to the court, and your Committee have appeared in person, or by counsel, and have opposed their acceptance by the court, but they have all been accepted, and the accounts of the receivers up to July 1, 1861, have been passed, with the exception of the last report, which has been re-committed to the masters.

The accounts of the trustees and receivers show, that for nine years, from July 1, 1852, to July 1, 1861, the gross earnings and expenses were as follows:—

Gross earnings,	$6,757,860 04
Gross expenses,	5,011,273 87
Net earnings, nine years,	$1,746,586 17

Since July 1, 1861, the gross earnings and expenses have been as follows:—

From July 1, 1861, to Dec. 1, 1861, (5 months,)	$373,340 50
Expenses, " " " "	268,268 39
Net earnings, five months,	$105,072 11
From Dec. 1, 1861, to June 1, 1862,	$340,077 23
Expenses, " " "	253,267 10
Net earnings, six months,	$86,810 13
From June 1, 1862, to Dec. 1, 1862,	$513,089 26
Expenses, " " "	364,515 19
Net earnings, six months,	$148,574 07
Gross earnings, seventeen months, ending July 1, 1862,	$1,226,506 99
Gross expenses, same time,	886,050 68
Net earnings same time, seventeen months,	$340,456 31

The large and extraordinary, and as your Committee believe, unwarrantable expenditure, at St. Albans, and expenditures at White River Junction, and the building of a spacious and costly brick station-house, at Essex Junction, is the reason why the expense account is so large, for the seventeen months above.

Net Earnings from July 1, 1852—*the date of the surrender of the Roads to Trustees—to December* 1, 1862, *ten years and five months, and disposition of the Net Earnings.*

Amount of net earnings for nine years, ending July 1, 1861, as before stated,	$1,746,586 17
Add amount net earnings, for one year and five months, ending December 1, 1862,	340,456 31
Whole amount of net earnings for ten years and five months,	$2,087,042 48

This large amount of net revenue, approaching, in the aggregate, almost to national figures, appears, so far as your Committee can learn, to have been disposed, of as follows:—

Vermont and Canada rent paid from July 1, 1852, to June 1, 1854,	$158,940 00	
Interest on first mortgage for same time,	280,000 00	
Balance of interest paid on second mortgage, January 1, 1854,	39,445 00	
		$478,385 00
Payments in 1852 and 1853, on construction shops at Northfield, new side tracks, and uncollectable balances,		57,229 19
Damages for contract for iron, 1854; payments of executions against Vermont Central Co.; land damages, losses, special masters, &c.,		157,999 03
Payments to Smith, Brainerd & Co., on account of car contract,	$248,728 79	
Amount paid for car factory at St. Albans,	35,000 00	
Cost of finishing up cars received of Smith, Brainerd & Co.,	47,103 65	
		330,832 44
Interest on liabilities incurred in operating roads prior to 1860,		53,531 06
Legal expenses, to July 1, 1861,		26,627 64
Trustees' and receivers', services to July 1, 1861,		107,206 12
Vermont and Canada Committee, Nov. 1856,		5,000 00
Various old balances charged off,		16,950 61
Shop stock, wood, oil, &c., on hand, December 1, 1862, say	$146,408 98	
Amount paid Vermont & Canada Company on account of arrears of rent to December 1, 1862,	372,309 90	
Four semi-annual rents paid Vermont and Canada Company, Dec. 1, 1860, to Dec. 1, 1862,	215,760 00	
Carried forward,	$734,478 88	$1,233,761 09

Brought forward, . .	$734,478 88	$1,233,761 09
Balance,* supposed to be in hands of receivers, December 1, 1862,	105,991 47	840,470 35
		$2,074,231 44
Balance, ...		12,811 04
		$2,087,042 48

* Since the meeting of bond-holders, the Committee have received a copy of the masters' last report, made up to July 1, 1861, and by this it appears,—

That the receivers had overpaid themselves and others $29,995.33, which was disallowed, and, of course, the receivers must be held as having this amount in their hands, ...	$29,995 33
That the receivers had, then, in their hands, and in the hands of their agents, ...	101,929 87
That there was due receivers from old accounts, ...	16,950 61
That there was a further balance due of	29,416 37
Balance in hands of receivers July 1, 1861, ...	$178,292 18
By receivers' accounts filed in the court, it appears that the net earnings for 6 months ending—	
December 1, 1861, were	105,072 11
June 1, 1862, were	86,810 13
December 1, 1862, were	148,574 07
	$518,748 49

By the aforesaid report of the masters, it appears that the amount paid the Vt. & Canada Company, up to July 1, 1861, was	$182,690 08	
From July 1, 1861, to December 1, 1861, . .	202,685 52	
From December 1, 1861, to June 1, 1862, . .	88,527 35	
From July 1, 1862, to December 1, 1862, . .	114,166 95	
Whole amount paid Vt. & Canada, to Dec. 1, 1862,	$588,069 90	
From this sum, deduct amount credited to receivers, by the masters, in their report to July 1, 1861, as having been previously paid to the Vt. & Canada Company, on account, ...	182,690 08	
		405,379 82
Balance in the hands of receivers, December 1, 1862, in addition to the sum of $146,408.98 on hand, in the shape of shop stock, wood, oil, waste, &c., ...		$113,368 67

The earnings since December 1, last, are understood to be large, and much in excess of those in the corresponding months of last year.

Statement of Account with the Vermont and Canada Company.

Arrears of rent due the Vermont and Canada Co., from June 1, 1854, to Dec. 1, 1860, 6½ years, being 8 per cent. on $1,348,500, . .		$701,220 00
Interest on this sum to Dec. 1, 1862, . .		210,368 00
Whole amount of rent due and interest, .		$911,588 00

The receivers have, as appears by their reports to the court, under oath, paid to that Company, as follows:—

From Jan. 1, 1859, to Dec. 1, 1861,	$385,375 60	
Dec. 1, 1861, to June 1, 1862,	88,527 35	
June 2, 1862, to Dec. 1, 1862,	114,165 95	
	$588,069 90	
Less four semi-annual rents paid since Dec. 1, 1860, . . .	215,760 00	
Bal. paid on acc't of arrears,	$372,309 90	

To this balance, add sundry items chargeable to the Vermont and Canada Co. prior to Dec. 1, 1860, which should go in diminution of rent:—

Car factory at St. Albans, paid for out of the trust funds, at the request of the Vermont and Canada Co., and a deed of the same taken to that Company, .	$35,000 00	
Amount in Eldredge suit, which, when liquidated, the Vermont and Canada Co. offered, in August last, through a Committee of Directors, to credit on account of rent, about	12,000 00	
Amount carried forward, .	$419,309 90	$911,588 00

Amount brought forward,	$419,309 90	$911,588 00
Incidental expenses of the Vermont and Canada Co., paid out of the trust, but which the court have decided must be borne by the Vermont & Canada Co., about	$10,000 00	
Amount paid, from the trust, to a legislative committee of the Vermont and Canada Co., for their benefit, Nov., 1856, . . .	5,000 00	
Interest on above items to Dec. 1, 1862, about	41,000 00	
		475,309 90
Bal. of back rent and int. due Dec. 1, 1862, about		$436,278 10

The Foreclosure Suit.

This suit is still pending. There are grave difficulties in the way of, as well as serious objections to, procuring an absolute decree of foreclosure. A difference of opinion prevails, among the legal profession in Vermont, as to what kind of a decree of foreclosure of a railroad, the courts, of that State, will grant, whether one absolute in its character, so as to bar subsequent interests, or only one, whereby the possession of the premises may be held by the first mortgage bond-holders, until their debt, principal and interest, shall be paid. But aside from this question, there are some serious objections to a decree of absolute foreclosure. The charter of the Vermont Central Company is a very valuable one, and prudence suggests, that nothing should be done, whereby any benefits held under that instrument, should be lost. Nor are your Committee yet fully satisfied, that it would be just and right, or good policy, to cut off the second mortgage bond-holders. If, hereafter, the property should acquire such an increased value, as to yield an income, more than sufficient, to pay the rental due the Vermont and Canada Company, and a fair dividend or interest on the whole claim of the first mortgage bonds, it would seem to be nothing more than equitable, to allow such excess of income to go to the next subsequent incumbrancers.

Conferences, with a view to a Settlement.

In the month of November last, whilst your Committee were pressing proceedings in Vermont, for an injunction on the receivers, it was proposed that a conference should be had, to see, if some general settlement could be made, of all matters in dispute. A conference was had, first in New York, and afterwards, in Boston. In these conferences, two or more of the receivers were present, but Mr. J. G. Smith spoke for them. Mr. Lucius B. Peck, the President of the Vermont and Canada Company, was also present, at one of the conferences, but he had nothing to say on the subject, except to observe, that it was certainly a case for a settlement. Mr. Smith proposed no plan of settlement, but only made, as he said, suggestions.

Your Committee proposed, on their part, that the balance of arrears due to the Vermont and Canada Company should be found, and then capitalized, in some form. If this could not be done, and it should be necessary to continue the present system of running the road, by a court of chancery, that then there should be but one receiver; that the present trustees should resign, and their places filled by such persons as the first mortgage bond-holders, at a meeting duly called, should nominate; that these three new trustees, with the president of the Vermont and Canada Company, should act with the receiver in the management of the roads; that the whole should constitute a board of direction, the receiver to be president of the board, and the net income of the business to be paid over, every three months, to the Vermont and Canada Company, until the arrears should be paid. And your Committee added, that if the above arrangement could be carried out, they would recommend, that Mr. J. G. Smith should be the sole receiver under such new arrangement.

Mr. Smith suggested, that without going into figures or details, as to what the balance due to the Vermont and Canada Company might be, the parties should agree, at what sum, the capital stock of the Vermont and Canada Company might be fixed, which when fixed, should embrace the cost of the branch into Burlington, the cost of the branch, proposed to be built from Swanton to the Canada line, and the balance of the

arrears of rent. He suggested the sum of $2,100,000, and Mr. Drury, who was present at the conference, suggested the sum of about $2,070,000; but, as neither of these sums was satisfactory to your Committee, and as Mr. Smith insisted that, even if the parties could agree on this point, the present system of trustees and receivers, in the same persons, must be continued, your Committee broke off the conference, being unwilling to accept any such terms.

It was suggested, that the Vermont and Canada Company might be willing, with leave of the legislature, to make their stock, when increased by capitalizing the arrears, a preferred eight per cent. stock, and then issue a common stock at par, in their company, for the principal and interest of your bonds, the Canada Company thus becoming the holder of your bonds, and you of their common stock, and so uniting and identifying the two interests, and your Committee thought well of the suggestion. And if the bond-holders could receive stock, in the Canada Company, for their bonds and interest, at the same time, that the Canada Company should receive their additional eight per cent. stock for their arrears, your Committee then would think the union of the trusteeship and receivership of little importance, as in that event, the continuance of either would not be of long duration.

Since the last conference was broken off, a printed paper has been in circulation, embodying the plan of settlement suggested by Mr. Smith, and most acceptable, your Committee presume, to the Vermont and Canada Company. The plan set forth in that paper, instead of being a fair compromise, is actually giving the Vermont and Canada Company, more than their whole claim, a complete discharge to the trustees and receivers, with a new lease of power to do, what they please, with your property.

This agreement proposes to add, to the capital stock of the Vermont and Canada Company, for the arrears and the cost of the two branches, an eight per cent. stock, amounting to $690,600.

But what do the authors of this agreement call the capital stock of the Vermont and Canada Company? Not that fixed by the court, $1,348,500, but $1,381,200, thus adding $32,700,

which you will remember the court has disallowed and rejected. This is artfully done in the agreement. It proposes to add $690,600 to the present capital of the Vermont and Canada Company, without stating the present amount of that capital, but it says, when $690,600 is added to the present capital, it will stand at $2,071,800. Now, if you deduct from this latter sum, the sum proposed to be added, you will have, not the real present capital, fixed by the court at $1,348,500, but $1,381,200, being the unlawful addition of the $32,700 above mentioned.

It may not be known to Canada stockholders generally, that additional stock, for this sum, has been actually issued, and is now outstanding. This excess of capital is not, of course, entitled to any proportion of the rent received, yet dividends have been paid thereon, from the surplus funds in the treasury of that company. The history of this issue is a curious one, but it is one for the Vermont and Canada stockholders to investigate, and, in view thereof, for them to compel the parties, to whom it was originally distributed, to retire the same, and pay back the dividends received thereon.

Now, the compromise proposed to you, starts with seeking to saddle this excess of stock in the Canada Company, on the bond-holders.

The amount of this stock is, ...	$32,700 00
Add last four semi-annual dividends, . .	5,232 00
And you have	$37,932 00
Now add the stock, which it is proposed you should give the Canada Company, . . .	690,600 00
And you have, ...	$728,532 00

which will give $50, in an eight per cent. premium stock, on every share of the capital stock of the Canada Company, including that unauthorized excess, which the court in Vermont has branded as illegal. *And this is called a compromise!*

Different Plans of Adjustment.

There are three plans, which the bond-holders can pursue, with reference to adjusting the arrears of rent, one without, and the other two, with the assent of the Vermont and Canada Company.

First Plan. Keep on, as you are doing now, and pay off the overdue rent, from the net earnings of the roads.

The balance due December 1, 1862, was, say .	$436,209 00
The receivers should have had in their hands, at that date, which ought to have been paid over to the Vermont and Canada Company, say .	105,991 00
Real balance of indebtedness, less cash in hands of receivers, December 1, 1862, . . .	$330,218 00

At this rate, the whole of the arrears should be paid off in two years, at least, from December 1, 1862.

Second Plan. With the consent of the Vermont and Canada Company, capitalize the foregoing balance of $330,218, from a six per cent. indebtedness into an eight per cent. rent stock, and give the same to the Vermont and Canada Company, in full settlement of said balance, amounting in eight per cent. rent stock, to $248,564.

This will settle off all the arrears, and you will have a complete discharge, from the Canada Company, for back rent. And with reference to the cost of the branch into Burlington, that company can proceed with the suit pending, to be allowed therefor, and recover if they can; and if they do, they will, of course, have the right to issue, for their own use, an eight per cent. rent stock, for the amount of that cost. Your Committee would be much pleased to have the court decide this question; for any decision made, might do you great good, while it could not do you much hurt.

Third Plan. With the consent of the Vermont and Canada Company, capitalize into an eight per. cent rent stock

The balance before found, ...	$330,218 00
Estimated cost of branch into Burlington, . .	225,000 00
	$555,218 00
Which, when capitalized, is	$416,414 00
Add present capital of the Vermont and Canada Company, ...	1,348,500 00
Whole capital, as increased, . . .	$1,754,914 00

This, however, is no compromise on the part of the Vermont and Canada Company, if by compromise is meant concession, inasmuch as it gives that company, if we are right in the balance of indebtedness, and in the amount of the cost of the branch, all that is actually and fairly due them.

Arbitration.

But as the best mode of disposing of the arrears of rent, and settling with the Vermont and Canada Company, your Committee would recommend, that an agreement be entered into by the Vermont and Canada Company and your Committee, to submit to a board of arbitrators, consisting of three persons, one of whom to be chosen by the Vermont and Canada Company, one by said Committee, and the third by the two thus chosen, all disputes and differences between the parties, and especially to determine the following points:—

1. The just and true amount of the back rent due the Vermont and Canada Company, with interest thereon, December 1, 1862.

2. The just and true amount of payments which have been made on account of said back rents and the interest thereon, and also what other offsets should be allowed on account of said back rents, and the interest thereon.

3. The cost of the branch into Burlington, and what sum, considering all the rights and equities of the parties, should be allowed by the bond-holders therefor.

4. How much eight per cent. stock, in their company, the Vermont and Canada Company may issue to pay their stockholders, for the balance of back rent found to be due, and for the sum, which the arbitrators may allow, on account of the branch aforesaid.

The award of the arbitrators, or a majority of them, on these and on all other points of difference, to be binding and conclusive upon the parties.

Branch from Swanton to Canada line.

With reference to constructing this branch of about ten miles, to connect with a road proposed to be built, from a point on the Canada line to St. Johns, your Committee deny, most emphatically, that the Vermont and Canada Company can build that branch without the consent of the bond-holders, and all the parties in interest. And they deny, further, that the Vermont and Canada Company are obliged, by their charter, to build that branch. It might be policy to build that branch, if the Central Road were unembarrassed; but situated as it is, it would seem to be fatal policy, to keep the construction account open, to absorb future earnings. Your Committee think, that all parties, ought to let "well enough" alone, until the arrears first are settled up. After the arrears are settled up, whether by capitalization or otherwise, if the Swanton branch must be built, let it be built by the proceeds of sale of the Canada stock; for if it is to be built, the Central Road has the right, under the lease, to build it, either out of its earnings, or with stock issued in the Vermont and Canada Company, for that purpose.

The receivers may say, that by not paying over to the Vermont and Canada Company the sum of $105,991.47, which they had in their hands the first of last December, and with the surplus earnings since, and of the current year, after paying rent, they will have enough of money to build the Swanton branch, by the time it is done. Should this be so, and you consent, then it would leave a larger balance of indebtedness to be capitalized, but being capitalized, it would do away with the arrears, and all the money in the hands of the receivers would belong to you. And if the Swanton branch should be constructed therewith, then the stock issued in the Canada Company would belong to you, which might be sold, and the

proceeds applied towards the payment of the interest on your bonds.

On the whole, your Committee advise the bond-holders to refuse their consent to the construction of the Swanton branch, unless there are stronger reasons in favor of it, than your Committee are aware of now; but if there are such reasons, that still it should not be built, until the arrears of rent are settled up and out of the way. And that, then, if built with surplus funds in the hands of the receivers, the Canada stock issued therefor should be sold, and the proceeds paid towards satisfying the interest on your bonds. Or if there should be no such surplus, wherewith to build as aforesaid, then Canada stock should be sold in the market, the proceeds of which should be sufficient for that purpose.

Settlement with Trustees.

So far, your Committee have spoken only of a settlement with the Vermont and Canada Company, which is a matter that can stand by itself, and be made separately and independently of any thing else.

It remains, now, for your Committee to speak with reference to what kind of settlement, you ought to make with the gentlemen, who have represented you as trustees.

In all their conferences with your Committee, these gentlemen have insisted upon remaining your trustees, and continuing, all of them, in the office of receivers, and have expected that you would discontinue your suit in the United States Court for their removal as trustees, now so nearly ready for a hearing; and also that you would discontinue your proceedings in the State Court against them as receivers, for their unauthorized expenditure at St. Albans, and rendering comparatively worthless your property at Northfield.

In consideration, however, of this concession by you, they propose to agree that you may, once a year, elect an advisory committee, who shall have access to their books, and audit their accounts, and that they, as trustees, will annually make a printed report of their doings to the bond-holders.

In the judgment of your Committee, what these gentlemen propose to give you, amounts to nothing at all. You already

have the right to elect such a committee, and have exercised it, and that committee has a right to see and examine the books of the receivers; and it is the duty of the trustees, and always has been, to report their doings annually to the bond-holders. Why should duty be more obligatory upon them, in the future, than it has been, in the past? And if you should enter into such an agreement, what guaranty have you that these gentlemen will be faithful to it, except merely their naked promise?

Your Committee had no hesitation in rejecting this proposal, as one not only altogether wrong in principle, but one which has proved so fruitful and frightful of evil in the past management of the trust property, and your Committee were indignant that they should be asked to abandon all the advantage they had gained, and to continue the disastrous old system, of having men with a pecuniary interest adverse to you, represent you as trustees.

The best and the only settlement, which your Committee offered to recommend, and which they would now recommend you to make with these gentlemen, whilst your interests shall continue unrepresented by a corporation, is as follows:—

1. The resignation of these gentlemen, as your trustees, and the appointment of such men, as from pecuniary interest, fidelity and ability, will be acceptable to a majority in value, at any meeting duly called, of those holding first mortgage bonds.

2. These gentlemen now in office, to remain receivers, subject to the order of court.

3. Upon the appointment of new trustees, the suits pending against the present trustees and receivers to be dismissed.

This arrangement will, it is true, leave the property in the hands of the present managers, but the advantage will be, that instead of having a powerless committee, unknown to the law, and representing, perhaps, only a part of the bond-holders, you will have an influential board of trustees, clothed with authority to speak and act for all the bond-holders, as a unit, both in and out of court.

Condition and Prospects of the Roads.

Your Committee take pleasure in reporting, that they believe the condition of both the Vermont Central and the Vermont

and Canada Roads, with all their equipments and appointments, to be unusually good, and that as to the actual running and operating of the roads, there has been a marked improvement, within the last two or three years. They are also happy to say that the prospects of the line never have appeared brighter, than they do at the present time. Your Committee would also say here, in conclusion, that they believe in the policy, of having the actual managers of the roads, residents of the State of Vermont, and along the line thereof.

All which is respectfully submitted,

J. W. EMERY,
J. M. PINKERTON,
ESTES HOWE,

Of Committee of Vermont Central First Mortgage Bond-holders.

After the reading of the foregoing Report, the following Resolutions were offered, by O. W. Davis, Esq., of Philadelphia, and were passed by the meeting:—

Resolved, That the Report of the Committee be accepted, and the same be referred to the committee to be appointed in pursuance of the next resolution.

Resolved, That the Chairman of this meeting appoint a committee of three bond-holders, to report at an adjourned meeting of bond-holders, to be held in Boston on May 7th, 1863, at such hour and place as the committee may designate, what plan of compromise, if any, they will recommend for the settlement of the litigation and controversies now pending, after consulting with the different interests, and with the present committee of bond-holders.

Resolved, That, at such adjourned meeting, the bond-holders be requested to be present, in person or by proxy, with their bonds, to vote upon any plan of compromise that may be suggested, and to elect a permanent committee to carry out such plan, if adopted.

In pursuance of the above Resolutions, the Chairman of the meeting, Hon. Thomas M. Edwards, of Keene, N. H., appointed O. W. Davis, of Philadelphia, Joseph Andrews, of Salem, and Otis Drury, of Boston, to be the Committee proposed in said Resolutions.

(Feb., 1891, 20,000)

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